



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HART COUNTY SHERIFF**

Calendar Year 1999

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EXECUTIVE SUMMARY
HART COUNTY
JEFF STAPLES, COUNTY SHERIFF
CALENDAR YEAR 1999
FEE AUDIT

Type of Opinion:

We have issued an unqualified opinion on the financial statement.

New Findings:

- The Sheriff Should Maintain An Accurate Receipts Ledger And Disbursements Ledger
- The Sheriff Should Have Received The Proper Salary For Calendar Year 1999
- The Sheriff Should Pay Overtime Properly
- The Fiscal Court Should Set Deputy Sheriff Salaries Annually
- The Internal Control Structure Of The Sheriff's Office Is Weak Due To A Lack Of Adequate Segregation Of Duties

Prior Year Comment Repeated:

- The Sheriff Should Publish An Annual Settlement

Additional Information:

On June 15, 2000, the fiscal court approved the Sheriff's request to retain excess fees of \$23,019 for 1999. These excess fees will be accounted for in the 2000 sheriff fee audit.

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Terry Shelton, Hart County Judge/Executive
Honorable Jeff Staples, Hart County Sheriff
Members of the Hart County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Hart County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Terry Shelton, Hart County Judge/Executive
Honorable Jeff Staples, Hart County Sheriff
Members of the Hart County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The Sheriff Should Maintain An Accurate Receipts Ledger And Disbursements Ledger
- The Sheriff Should Have Received The Proper Salary For Calendar Year 1999
- The Sheriff Should Pay Overtime Properly
- The Fiscal Court Should Set Deputy Sheriff Salaries Annually
- The Sheriff Should Publish An Annual Settlement
- The Internal Control Structure Of The Sheriff's Office Is Weak Due To A Lack Of Adequate Segregation Of Duties

In accordance with Government Auditing Standards, we have also issued a report dated June 30, 2000, on our consideration of the County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 30, 2000

HART COUNTY
JEFF STAPLES, SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

Federal Grants	\$	18,239	
State Grants			18,462
State Fees For Services:			
Finance and Administration Cabinet	\$	11,242	
Cabinet For Human Resources		<u>2,120</u>	13,362
Circuit Court Clerk:			
Sheriff Security Service	\$	11,310	
Fines and Fees Collected		<u>7,306</u>	18,616
Fiscal Court:			
Program Support and Training Incentive	\$	36,388	
Employer's Share Social Security		17,090	
Prior Year Excess Fees		28,659	
Federal Fees For Services - Lake Patrol		11,470	
Election Fees		335	
Miscellaneous		<u>85</u>	94,027
County Clerk - Delinquent Taxes			2,069
Commission On Taxes Collected			126,662
Fees Collected For Services:			
Auto Inspections	\$	3,830	
Accident and Police Reports		595	
Serving Papers		10,330	
Vending Machines		343	
Refunds		70	
Carrying Concealed Deadly Weapon Permits		4,935	
Court Monitoring		100	
Lifeskills		1,530	
Miscellaneous		<u>532</u>	22,265

HART COUNTY
 JEFF STAPLES, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Receipts (Continued)

Other:

Advertising Fees and Costs	\$	6,783	
Sheriff 10% Add On Fee For Late Tax Collections		<u>25,534</u>	\$ 32,317

Interest Earned			3,069
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Borrowed Money:

State Advancement			<u>60,000</u>
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Gross Receipts			\$ 409,088
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Disbursements

Operating Disbursements:

Payments to State-

Carrying Concealed Deadly Weapon Permits	\$	3,295
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Personnel Services-

Deputies' Salaries	159,258
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Other Salaries	9,323
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Employee Benefits-

Employer's Share Social Security	16,591
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Employer's Share Retirement	1,378
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Employer Paid Health Insurance	7,036
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Contracted Services-

Advertising	3,834
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Equipment and Repairs	12,660
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Vehicle Maintenance and Repairs	450
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Materials and Supplies-

Office Materials and Supplies	5,774
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Auto Expense-

Mileage	25,706
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Transporting Prisoners	3,970
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Other Charges-

Conventions and Travel	3,336
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Dues	417
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HART COUNTY
 JEFF STAPLES, SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Other Charges- (Continued)

Postage	\$	4,688	
Cellular Telephone		3,763	
Court Monitoring		232	
Reimbursement of Confiscated Money		4,500	
Miscellaneous		1,405	
Debt Service:			
State Advancement		<u>60,000</u>	
Total Disbursements			<u>\$ 327,616</u>
Net Receipts			\$ 81,472
Less:			
Statutory Maximum	\$	57,765	
Training Incentive		<u>688</u>	<u>58,453</u>
Excess Fees Due The County			\$ 23,019
Credit Allowed By Fiscal Court (Note 5)			<u>23,019</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

HART COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

HART COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1999
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 1999, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Grants

In 1996, the Sheriff was awarded a grant under the Police Hiring Supplemental from the Department of Justice in the amount of \$95,808 to be expended over three years. The Sheriff's office received an extended end date of May 31, 2000. During calendar year 1999, the Sheriff received funds totaling \$18,239 and spent funds totaling \$18,239. The unexpended grant balance as of December 31, 1999 was \$6,285.

Note 5. Credit Allowed By Fiscal Court

As of June 15, 2000, the fiscal court approved the Sheriff's request to retain excess fees for 1999. The order stated a motion by Franklin Turner and seconded by Don Kessinger ordered by court to approve the Sheriff retaining excess fees of \$23,019. These excess fees will be accounted for in the 2000 calendar year Sheriff's fee audit.

Note 6. Drug Fund

The Hart County Sheriff's office established a drug fund with funds received as the result of a drug investigation. These funds are to be used for drug enforcement and drug education. The drug fund balance as of January 1, 1999 was \$509. During 1999, there were receipts of \$12,168 and disbursements of \$5,492. The drug fund had a balance of \$7,185 as of December 31, 1999.

Note 7. Special Fund

The Hart County Sheriff's office established a special fund for the sale of calendars. The special fund balance as of January 1, 1999 was \$1,504. During 1999, there were no receipts and disbursements were \$826. As of December 31, 1999, the special fund had a balance of \$678.

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COMMENTS AND RECOMMENDATIONS

HART COUNTY
JEFF STAPLES, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

Calendar Year 1999

STATE LAWS AND REGULATIONS:

1) The Sheriff Should Maintain An Accurate Receipts Ledger And Disbursements Ledger

KRS 134.160 requires the Sheriff to keep an accurate account of all moneys received by him and to keep an accurate record of all disbursements made by him. Sheriff Staples properly maintained a receipts ledger and a disbursements ledger. However, the ledgers were not accurate due to unposted and misposted items. Receipts of \$38,140 were unposted on the receipts ledger. This unposted amount included accounts receivables of \$37,870, which were collected. In addition, disbursements of \$42,363 were unposted or misposted on the disbursements ledger. These unposted and misposted amounts include outstanding liabilities of \$18,880 and unposted and misposted items of \$23,483. As a result, the fourth quarterly financial statement of receipts and disbursements was misstated by \$38,140 and \$42,363, respectively. The receipts on the fourth quarterly financial statement were also misstated by an additional \$13,000 of receipts recorded on the receipts ledger but not on the quarterly. We recommend Sheriff Staples post all receipts and all disbursements to the respective ledgers.

Sheriff's Response:

Understand.

County Judge's Response:

None.

2) The Sheriff Should Have Received The Proper Salary For Calendar Year 1999

During our examination period, Sheriff Staples received a salary of \$59,891. For calendar year 1999, KRS 64.535 set the statutory maximum for county officials at \$57,765. Therefore, Sheriff Staples received \$2,126 over the statutory maximum. Sheriff Staples deposited personal funds of \$2,126 to his official fee account to repay this salary overpayment as of June 20, 2000.

Sheriff's Response:

Understand and have paid back office.

County Judge's Response:

None.

HART COUNTY
JEFF STAPLES, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 1999
(Continued)

3) The Sheriff Should Pay Overtime Properly

KRS 337.285, OAG 91-187, and OAG 84-183 requires that employees receive compensation for hours worked in excess of 40 hours in a work week. This compensation must be at the rate of one and half times the hourly wage rate at which the individuals are employed. OAG 84-183 specifically states that the time and half payments apply to deputies of county constitutional officers. In addition, OAG 91-187 states the County must compensate the employees in wages, not in compensatory time off. During calendar year 1999, Sheriff Staples did not properly pay overtime to all deputies. We recommend the Sheriff comply by paying deputies for overtime worked. We are referring this matter to the Kentucky Labor Cabinet.

Sheriff's Response:

Understand.

County Judge's Response:

None.

4) The Fiscal Court Should Set Deputy Sheriff Salaries Annually

During our examination period, the fiscal court did not establish maximum salary amounts for the Sheriff's deputies paid from fees. KRS 64.530 states the fiscal court shall fix annually the maximum amount, including fringe benefits, which the officer may expend for deputies and assistants, and allow the officer to determine the number to be hired and the individual compensation of each deputy. The fiscal court should comply with KRS 64.530 and set the maximum salaries and fringe benefits for the Sheriff's deputies on an annual basis.

Sheriff's Response:

Has been done.

County Judge's Response:

None.

HART COUNTY
JEFF STAPLES, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 1999
(Continued)

5) The Sheriff Should Publish An Annual Settlement

Sheriff Staples did not publish an annual settlement in accordance with KRS 424.220, which requires that financial statements be published within 60 days after the end of the calendar year. We recommend the Sheriff comply with this statute by publishing an annual settlement within the proper time period.

Sheriff's Response:

Understand.

County Judge's Response:

None.

INTERNAL CONTROL - REPORTABLE CONDITIONS:

The Internal Control Structure Of The Sheriff's Office Is Weak Due To A Lack Of Adequate Segregation Of Duties

We noted the lack of an adequate segregation of duties for the internal control structure and its operation that, in our judgement, is a reportable condition under standards established by the American Institute of Certified Public Accountants. Management has considered and rejected additional cost when setting budget limits on spending for salaries and therefore accepts the degree of risk for a lack of an adequate segregation of duties. However, the lack of an adequate segregation of duties and the failure to maintain accurate accounting records are hereby noted as reportable conditions pursuant to professional auditing standards.

Sheriff's Response:

Can't change this.

County Judge's Response:

None.

HART COUNTY
JEFF STAPLES, COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS
Calendar Year 1999
(Continued)

Other Reportable Conditions

The comments noted below are noted as reportable conditions pursuant to professional auditing standards.

- The Sheriff Should Maintain An Accurate Receipts Ledger And Disbursements Ledger
- The Sheriff Should Have Received The Proper Salary For Calendar Year 1999
- The Sheriff Should Pay Overtime Properly
- The Fiscal Court Should Set Deputy Sheriff Salaries Annually
- The Sheriff Should Publish An Annual Settlement
- The Internal Control Structure Of The Sheriff's Office Is Weak Due To A Lack Of Adequate Segregation Of Duties

Sheriff's Response:

None.

County Judge's Response:

None.

INTERNAL CONTROL - MATERIAL WEAKNESSES:

- The Sheriff Should Maintain An Accurate Receipts Ledger And Disbursements Ledger
- The Sheriff Should Pay Overtime Properly
- The Internal Control Structure Of The Sheriff's Office Is Weak Due To A Lack Of Adequate Segregation Of Duties

Sheriff's Response:

None.

County Judge's Response:

None.

PRIOR YEAR:

The following comment has not been corrected and is repeated in the current audit:

- Sheriff Did Not Publish His Annual Financial Statement Within 60 Days After Close Of The Year

Sheriff's Response:

None.

County Judge's Response:

None.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Terry Shelton, Hart County Judge/Executive
Honorable Jeff Staples, Hart County Sheriff
Members of the Hart County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Hart County Sheriff as of December 31, 1999, and have issued our report thereon dated June 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hart County Sheriff's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying Comments and Recommendations.

- The Sheriff Should Maintain An Accurate Receipts Ledger And Disbursements Ledger
- The Sheriff Should Have Received The Proper Salary For Calendar Year 1999
- The Sheriff Should Pay Overtime Properly
- The Fiscal Court Should Set Deputy Sheriff Salaries Annually
- The Sheriff Should Publish An Annual Settlement

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hart County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying comments and recommendations.

Honorable Terry Shelton, Hart County Judge/Executive
Honorable Jeff Staples, Hart County Sheriff
Members of the Hart County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

- The Sheriff Should Maintain An Accurate Receipts Ledger And Disbursements Ledger
- The Sheriff Should Have Received The Proper Salary For Calendar Year 1999
- The Sheriff Should Pay Overtime Properly
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- The Sheriff Should Publish An Annual Settlement
- The Internal Control Structure Of The Sheriff's Office Is Weak Due To A Lack Of Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following to be material weaknesses.

- The Sheriff Should Maintain An Accurate Receipts Ledger And Disbursements Ledger
- The Sheriff Should Pay Overtime Properly
- The Internal Control Structure Of The Sheriff's Office Is Weak Due To A Lack Of Adequate Segregation Of Duties

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 30, 2000

